

**REPORT OF THE AUDIT OF THE
MCCREARY COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MCCREARY COUNTY CLERK

**For The Year Ended
December 31, 2001**

The Auditor of Public Accounts has completed the McCreary County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$68 from the prior calendar year, resulting in excess fees of \$8,377 as of December 31, 2001. Revenues increased by \$7,949 from the prior year and disbursements increased by \$5,881.

Report Comments:

- The County Clerk Did Not Publish Her Annual Financial Statement
- The County Clerk Did Not Make Daily Deposits

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jimmie W. Greene, McCreary County Judge/Executive

Honorable Jo Kidd, McCreary County Clerk

Members of the McCreary County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of McCreary County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
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Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jimmie W. Greene, McCreary County Judge/Executive
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In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The County Clerk Did Not Publish Her Annual Financial Statement
- The County Clerk Did Not Make Daily Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 14, 2003

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

State Fees For Services	\$	7,478
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Fiscal Court:

Preparing Tax Bills	\$ 1,255	
Mailing Motor Vehicle Tax Notices	2,613	
Board of Assessment Appeals	200	
Fiscal Court Clerk Salary	6,520	10,588

Licenses and Taxes:

Motor Vehicle-		
Licenses and Transfers	\$ 334,133	
Usage Tax	495,707	
Tangible Personal Property Tax	540,305	
Licenses-		
Fish and Game	7,625	
Marriage	6,486	
Occupational	918	
Deed Transfer Tax	11,334	
Delinquent Tax	99,130	1,495,638

Fees Collected for Services:

Recordings-		
Deeds, Easements, and Contracts	\$ 10,209	
Real Estate Mortgages	13,492	
Chattel Mortgages and Financing Statements	54,334	
Powers of Attorney	454	
Bail Bonds	2,163	
Leases	515	
Releases	11,904	
Copies	8,014	
Motax Liens	2,844	
Bill Of Sales	3,330	
Other Recordings	3,411	
Miscellaneous	11,395	
Interest	1,599	123,664

Total Receipts	\$	1,637,368
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The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2001
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 249,537

Usage Tax 480,784

Tangible Personal Property Tax 213,446

Licenses, Taxes, and Fees-

Fish and Game 6,674

Delinquent Tax 34,446

Legal Process Tax 15,323

Candidate Filing Fees 1,380 \$ 1,001,590

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 86,775

Delinquent Tax 10,433

Deed Transfer Tax 10,768

Occupational Licenses 900 108,876

Payments to Other Districts:

Tangible Personal Property Tax \$ 218,552

Delinquent Tax 37,074 255,626

Payments to Sheriff

1,401

Operating Disbursements:

Personnel Services-

Deputies' Salaries \$ 127,574

Employee Benefits-

Employer's Share Social Security 13,764

Employer's Share Retirement 11,470

Employer's Share Health Insurance 16,788 169,596

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2001
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Contracted Services-			
Advertising	\$	314	
Printing and Binding		1,700	
Preparing Tax Bills		2,521	
Materials and Supplies-			
Office Supplies		6,519	
Other Charges-			
Dues		500	
Postage		3,649	
Audit Review		247	
Telephone		1,911	
Maintenance (Software Management)		2,809	
Copier Meter Usage		915	
Travel and Training		45	
Miscellaneous		1,591	
New Equipment		4,275	
		<u>4,275</u>	\$ 26,996
Total Disbursements			<u>\$ 1,564,085</u>
Net Receipts			\$ 73,283
Less: Statutory Maximum			<u>61,306</u>
Excess Fees			\$ 11,977
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for 2001			\$ 8,377
Payments to County Treasurer - July 24, 2002	\$	7,000	
December 09, 2002		<u>1,377</u>	<u>8,377</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

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COMMENTS AND RECOMMENDATIONS

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

The County Clerk Did Not Publish Her Annual Financial Statement

The County Clerk did not publish her annual financial statement as required by KRS 424.220(6) & (8) which states in part "The clerk shall, within sixty (60) days after the close of the clerk's fiscal year, cause the financial statement to be published in full in a newspaper qualified under KRS 424.120 to publish advertisements for the county." We recommend the Clerk publish her annual financial statement in the future.

County Clerk's Response:

Will do this in future. This is the first year I have missed.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The County Clerk Did Not Make Daily Deposits

The County Clerk did not make daily deposits. We noted instances where there were deposits on hand for as high as ten working days. We recommend the Clerk make daily deposits into the Clerk's official fee account.

County Clerk's Response:

I am the only one that makes deposits. They are locked in my vault at all times. I will start making them on time.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the McCreary County Clerk for the year ended December 31, 2001, and have issued our report thereon dated January 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the McCreary County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The County Clerk Did Not Publish Her Annual Financial Statement



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCreary County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The County Clerk Did Not Make Daily Deposits

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 14, 2003

